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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

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Arizona Corporation Commission
DOCKETED

MAY 26 2015

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
BACA FLOAT WATER COMPANY, INC. –
SEWER DIVISION FOR A PERMANENT RATE
INCREASE.

DOCKET NO. WS-01678A-14-0424

IN THE MATTER OF THE APPLICATION OF
BACA FLOAT WATER COMPANY, INC. FOR A
PERMANENT RATE INCREASE.

DOCKET NO. WS-01678A-14-0425

PROCEDURAL ORDER

BY THE COMMISSION:

On December 30, 2014, Baca Float Water Company, Inc. (“Company”) filed an application with the Arizona Corporation Commission (“Commission”) for a permanent rate increase under Docket No. WS-01678A-14-0425. Also on December 30, 2014, the Company filed an application for a permanent rate increase for its Sewer Division under Docket No. WS-01678A-14-0424.

The Commission’s Utilities Division (“Staff”) docketed a Letter of Sufficiency for both dockets on January 26, 2015, advising the Company that both applications had met the sufficiency requirements of Arizona Administrative Code (“A.A.C.”) R14-2-103, and classifying the Company as a Class D Utility.

On April 10, 2015, a Procedural Order was issued consolidating the two dockets.

Staff filed its Staff Report on May 1, 2015, and the Company submitted its Response to the Staff Report on May 13, 2015.

After review of the Staff Report and the Company’s Response, certain issues should be addressed by the parties.

IT IS THEREFORE ORDERED that Staff and the Company shall file comments addressing the following:

- Whether the income tax calculations for each division should be calculated separately or should the calculations be combined and explaining which method will best reflect

1 tax treatment of the IRS. Will using a stand-alone calculation for each division
2 understate the Company's overall income tax liability?

- 3 • Staff omitted accumulated depreciation in the water division's rate base. Staff should
4 either revise its schedules to reflect the accumulated depreciation or explain why it
5 should not be included.
- 6 • Why did Staff omit cash working capital? Should an allowance be made? Are there
7 AIAC or customer deposits to be considered?
- 8 • Should there be an allowance of \$2,631 for Contractual Services?
- 9 • There seem to be anomalies in the water and sewer balance sheets that were filed with
10 the Application. For the Water Division, the ending retained earnings (positive
11 \$203,004) are \$960,264 higher than the beginning balance (negative \$757,260) while
12 reporting net loss of \$81,165 for an unreconciled difference of \$1,041,429. For the
13 Sewer Division, the ending retained earnings (positive \$128,810) are \$16,407 higher
14 than the beginning balance (positive \$757,260) while reporting net loss of \$127,712 for
15 an unreconciled difference of \$144,119. The parties should address these apparent
16 discrepancies.
- 17 • The parties should discuss whether it would be advisable to categorize the arsenic
18 media as an item to be capitalized and depreciated, rather than a replacement cost under
19 the repair and maintenance account.¹

20 IT IS FURTHER ORDERED that in addition to the responses to the issues noted above, Staff
21 shall also address those issues raised in the Company's comments filed May 13, 2015.

22 IT IS FURTHER ORDERED that Staff shall revise its schedules accordingly and provide the
23 fully revised schedules with its responses.

24
25 ¹ The NARUC USoA Accounting Instruction 27(C)(3) states: "When a minor item of depreciable property is replaced
26 independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance
27 expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of
28 which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess
cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charge to the
appropriate utility plant account." While the arsenic media is a component of the arsenic treatment plant and replacing the
media is not a betterment, it is debatable whether the arsenic media is a minor item.

1 IT IS FURTHER ORDERED that **Staff shall submit its comments no later than June 15,**
2 **2015.**

3 IT IS FURTHER ORDERED that the **Company shall docket its comments to the questions**
4 **noted above, as well as its comments to Staff's reply, including updated/revised schedules, no**
5 **later than July 1, 2015.**

6 IT IS FURTHER ORDERED that the **time clock in this matter is extended to September**
7 **11, 2015.**

8 IT IS FURTHER ORDERED that the *Ex Parte* Rule (A.A.C. R14-3-113 - Unauthorized
9 Communications) applies to this proceeding and shall remain in effect until the Commission's
10 Decision in this matter is final and non-appealable.

11 IT IS FURTHER ORDERED that parties must comply with Rules 31 and 38, Rules of the
12 Arizona Supreme Court and A.R.S. § 40-243 regarding practice of law and admission *pro hac vice*.

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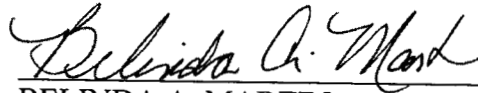
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1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or
2 waive any portion of this Procedural Order by subsequent Procedural Order or by ruling at hearing.

3 DATED this 26th day of May, 2015.

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6 BELINDA A. MARTIN
7 ADMINISTRATIVE LAW JUDGE

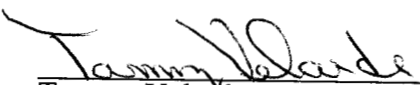
8 Copies of the foregoing mailed/delivered
9 this 26th day of May, 2015, to:

10 Lawrence V. Robertson, Jr.
11 ATTORNEY AT LAW
12 P. O. Box 1448
13 Tubac, AZ 85646

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24 By:

25 
26 Tammy Velarde
27 Assistant to Belinda A. Martin
28